TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL NOTE

HB 2746 - SB 2664

February 22, 2010

SUMMARY OF BILL: Prohibits the Commissioner of Revenue from issuing or renewing a motor vehicle registration unless the owner of the vehicle provides evidence of financial responsibility as required in the Tennessee Financial Responsibility Law of 1977; authorizes the Commissioner to promulgate rules and regulations.

ESTIMATED FISCAL IMPACT:

On January 29, 2010, we issued a fiscal note for this bill with the following estimated fiscal impact:

Decrease State Revenue – Net Impact –
$4,097,200/FY10-11
$8,194,300/FY11-12 and Subsequent Years

Increase State Expenditures –
$540,700/FY10-11
$837,700/FY11-12 and Subsequent Years

Decrease Local Revenue – Net Impact –
$7,656,900/FY10-11
$15,313,800/FY11-12 and Subsequent Years

Increase Local Expenditures –
*Exceeds $184,100/FY10-11**
*Exceeds $368,100/FY11-12 and Subsequent Years**

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

Based on the receipt of additional information pertaining to the bill, the fiscal impact for this bill is estimated as follows:

(CORRECTED)
Decrease State Revenue – Net Impact –
$4,097,200/FY10-11
$8,194,300/FY11-12 and Subsequent Years

Increase State Expenditures –
$46,600/One-Time

Decrease Local Revenue – Net Impact –
$7,656,900/FY10-11
$15,313,800/FY11-12 and Subsequent Years

Increase Local Expenditures –
Exceeds $184,100/FY10-11*
Exceeds $368,100/FY11-12 and Subsequent Years*

Assumptions:

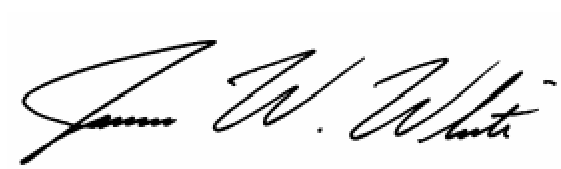
- According to DOR, there were 5,361,512 vehicles registered in Tennessee as of February 2, 2009.
- The number of registered vehicles remains constant.
- Based on information provided by the Comptroller's Office for similar legislation filed during the 2007 legislative session, the uninsured motorist rate in Tennessee is estimated to be 20 percent (1,072,302 uninsured motorists).
- Fifty percent of registered vehicles driven by uninsured motorists (536,151) will not be able to acquire insurance and will not be able to register vehicles, thus resulting in decreases of state and local government revenue derived from registration fees.
- According to DOR, the average state registration fee among all class codes is approximately $28.00 per vehicle.
- The decrease to state revenue attributable to reduced registration fees is estimated to be $15,012,200 per year (536,151 x $28.00 = $15,012,228).
- According to DOR, the average county wheel tax is approximately $28.75 per vehicle registered.
- The decrease to local government revenue attributable to reduced registrations and wheel tax collections is estimated to be $15,414,300 per year (536,151 x $28.75 = $15,414,341).
- Fifty percent of uninsured motorists (536,151) will be able to acquire appropriate levels of vehicle liability insurance and will be able to renew or maintain vehicle registrations.
- An increase in state revenue estimated to be $3,400,000 derived from insurance premium taxes as approximately 536,151 individuals acquire liability insurance.
- Ten percent of the remaining uninsured motorists (53,615) will be cited for violations related to expired or invalid registrations. Seventy-five percent of these (40,211) are expected to have their driver's license suspended or revoked as a result.
- Minimum $50 fee for driver license reinstatement.
- The average fine for driving on an expired or invalid registration is estimated to be $50 per violation.

- Twenty-five percent will not pay fines or reinstatement fees due to indigence.
- The increase to state revenue derived from reinstatement fees is estimated to be \$1,507,900 per year (40,211 x \$50 x 75% = \$1,507,912).
- Local government receives five percent of fine revenue as commission.
- The increase to state revenue derived from fines is estimated to be \$1,910,000 per year (53,615 x \$50 x 75% x 95% = \$1,910,034).
- The increase to local government revenue derived from fines is estimated to be \$100,500 per year (53,615 x \$50 x 75% x 5% = \$100,528).
- An increase to local government expenditures for prosecuting violations estimated to exceed \$268,100 per year statewide (53,615 cases x minimum of \$5 each = \$268,075).
- An increase to local government expenditures for additional county clerk costs for processing registrations with proof of financial responsibility, mailing back registrations not properly submitted, and for verification of financial responsibility information. Such additional costs are estimated to exceed \$100,000 per year.
- Additional one-time state expenditures for computer enhancements and software modifications estimated to be \$46,600.
- The first year impact is estimated at 50 percent of the first full-year impact due to the January 1, 2011 effective date.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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